

STATE CONTROLLER'S OFFICE
PERSONNEL/PAYROLL SERVICES DIVISION
P. O. BOX 942850
Sacramento, CA 94250-5878

DATE: February 10, 2009

PERSONNEL LETTER #09-006
(Civil Service Only)

TO: All Agencies in the Uniform State Payroll System

FROM: Don Scheppmann, Chief
Personnel/Payroll Services DivisionRE: **FURLOUGH PROGRAM – ADDENDUM #1**

As indicated in Personnel Letter #09-005, the State Controller's Office will update the employment history (EH) records of employees subject to the furlough program by adding the negative furlough pay differential earnings identifiers (EIDs) established by the Department of Personnel Administration (DPA). See DPA's Personnel Management Liaisons (PML) Memorandum 2009-007, DPA Pay Letters 09-02 and 09-02A, Exempt Pay Differential Furlough Hours Program, and Statutory Exempt Pay Differential Furlough Hours Program for specific details. The exempt pay differential documents should be available from the DPA Exempt Salary Schedule.

Last Thursday evening, February 5, 2009, a furlough EH mass update process occurred for semi-monthly (except bargaining unit 18) and bi-weekly paid employees. A second furlough EH mass update process will begin tonight, February 10, 2009 for the remaining group of employees except those who have three established earnings already on their EH record. A separate update will occur for these employees and a subsequent Personnel Letter will be issued to announce the date of the update process.

Any PAR transactions that were held per Personnel Letter #09-004 for the employees in tonight's EH mass update process can be processed beginning Wednesday, February 11, 2009. Please continue to hold PAR transactions for any employee with an EH record that is not yet updated or unless further notified otherwise.

EH MASS UPDATE INFORMATION

The applicable furlough pay differential EID identified in the DPA pay differential specifications will be posted to the EH records with an effective date of the beginning of the February 2009 pay period (February 1, 2009 for Statutory exempt employees or January 30, 2009 for all other employees). The EH 350 transaction will be used to add the furlough pay differential EID to affected employee EH records. Turnaround PARs will be issued from the mass update process and released on a flow basis.

The furlough pay differential EIDs are negative percentage based EIDs that reduce the base pay. However, the resulting furlough pay differential amount will not display with a negative sign on the EH record or turnaround PARs. Further, percentage based EID's are rounded to the nearest cent hence, the resulting furlough program pay reduction amount can contain cents.

FURLOUGH PROCEDURES

Attached are the employment history and payroll processing information/instructions for the furlough program. Departments with semi-monthly paid employees that received the interim EH procedures should carefully review and use the attached procedures as there may be changes. A California Leave Accounting Letter will be issued with information/instructions on the furlough program. Subsequent Personnel or Payroll Letters will be released if any changes are made to the furlough program by DPA or clarification is needed on the EH and payroll furlough procedures.

CONTACTS

Questions regarding the furlough program and EH/payroll processing information can be directed as follows:

SUBJECT AREA	CONTACT	TELEPHONE NUMBER
Furlough Program (e.g., rules, regulations benefits/pay impacts)	DPA	(916) 323-3343
Employment History Mass Update	Jenny Drennan	(916) 322-6515
Employment History PAR Procedures	Personnel Operations Liaison Unit	(916) 322-6500
General Payroll	Payroll Liaison Unit	(916) 323-3081
Disability Payroll Procedures	Disability Telephone Liaison	(916) 322-3619

DS:PMAB:lm

Below are leave accounting, employment history (EH) and payroll documentation and processing instructions for employees subject to the furlough program.

GENERAL INFORMATION

Although the furlough program is actually a reduction to time worked, it is administered as a reduction to the salary rate used in the calculation of the pay made to employees. To accomplish the reduction of the salary rate and to continue to reflect the actual appointment or base salary rate for employees subject to the furlough program, DPA established a negative furlough pay differential. The furlough pay differential EID reduces the employee's base salary rate (or actual salary rate for intermittent time base employees) to achieve the furlough pay reduction rate.

The furlough pay reduction amount is system generated and computed by multiplying the furlough pay differential EID percentage rate to the base salary rate (or actual salary rate for intermittent time base employees) and rounding to the nearest dollar/cent. To arrive at the furlough reduced base salary, subtract the furlough pay reduction amount from the base salary rate. The calculation routine will result in most employees having a salary rate defined in dollars and cents when normally defined in whole dollars.

Examples

\$2873 (monthly base salary rate) X 9.23% (furlough pay differential EID percentage) =
\$265.18 (monthly furlough pay reduction amount)

\$2873 (monthly base salary rate) - \$265.18 (monthly furlough pay reduction amount) =
\$2607.82 (monthly furlough reduced base salary rate)

\$22.67 (hourly actual salary rate) X 9.23% (furlough pay differential EID percentage) =
\$2.09 (hourly furlough pay reduction amount)

\$22.67 (hourly actual salary rate) - \$2.09 (hourly furlough pay reduction amount) =
\$20.58 (hourly furlough reduced actual salary rate)

As outlined in the DPA PML 2009-007, the furlough program does not affect state service credit. As a result, the unpaid furlough time is not to affect an employee's anniversary date (PAR item 330, Anniversary Date) and not to be considered in determining if a pay period is qualifying or not (PAR item 715, Service Pay Period).

LEAVE ACCOUNTING

Departments participating in the California Leave Accounting System (CLAS) should reference a forthcoming Leave Accounting Letter for the furlough program procedures. Departments not participating in CLAS must manually update their employees' leave balances for the furlough program credits and usage.

EMPLOYMENT HISTORY

Departments must ensure that the appropriate furlough pay differential EID is reflected on the employment history records. Failure to do so could result in erroneous payments. If an employee transfers to a position that is not subject to the furlough program, the furlough pay differential EID must be deleted. If an employee transfers to a position that is subject to the furlough program, the furlough pay differential EID may need to be added or changed. Employees who are separating or placed on a leave of absence may need to have the furlough pay differential EID deleted when processing the EH separation/leave of absence transaction. See below for special appointment/separation transaction processing instructions. In addition, there are other special processing procedures that apply to employees subject to the furlough program which are described below.

NOTE: The furlough pay differential is intended to be in effect for an entire pay period. For semi-monthly or bi-weekly paid employees, treat each semi-monthly half or bi-weekly period as a separate pay period. To determine the number of unpaid furlough time to assign an employee for mid-month effective date personnel actions, use the designated first and third furlough Fridays that fall within the pay period of the action. This applies to all employees with a time base of full-time or part-time and whether the employee is in the self-directed furlough plan or not.

A. Mid-Month Appointments (full-time/part-time employees only)

For an employee who is

- newly appointed to state service, or
- transfers from a position not subject to the furlough program to a position that is subject, or
- returns to state service after a separation or leave of absence, and

the effective date is after the beginning of the pay period, the appointment transaction must not have the furlough pay differential EID present.

Instead, the unpaid furlough time for the first month of employment must be administered as dock time. Thereafter, the appropriate furlough pay differential EID must be established on the employee's employment history record using the 350 transaction with an effective date reflecting the beginning of the following pay period. The 350 transaction can be key entered at the same time as the appointment transaction. However, use caution to ensure that the correct effective date is entered on the 350 transaction.

The unpaid furlough time for the first month of employment can be documented on the appointment transaction using PAR item 606, Time To Be Paid (New) or as a payroll dock transaction. See the Payroll Procedures Manual Section K 204 for payroll dock processing instructions. If the dock method is used, process the appointment and dock transactions simultaneously to ensure the employee is paid correctly. Also, do not enter any unpaid furlough time in item 606 of the appointment transaction.

Examples

Monthly paid employee newly hired effective February 4, 2009.

- A01 transaction effective 02/04/2009 and item 606 completed with 16 days (reflects 2 unpaid furlough days)
- 350 transaction effective 03/01/2009 and item 351, Established Earnings completed to add the appropriate furlough pay differential EID

Semi-monthly paid employee returning from a state disability insurance leave effective February 10, 2009.

- A03 transaction effective 02/10/2009 and item 606 is not completed since the employee is not assigned to any furlough time for the first half semi-monthly pay period
- 350 transaction effective 02/15/2009 and item 351, Established Earnings completed to add the appropriate furlough pay differential EID

For an employee who transfers to a position not subject to the furlough and the effective date is after the beginning of the pay period, the furlough pay differential EID must be deleted effective the beginning of the pay period. Use the 350 transaction to delete the furlough pay differential EID.

The unpaid furlough time from the prior position can be documented on the appointment transaction using PAR item 607, Time To Be Paid Old or as a payroll dock transaction. If the PAR documentation method is used, departments will need to coordinate the processing of the EH transactions to ensure the employee's EH record is updated correctly.

Example

Monthly paid employee transfers to a non-furlough position effective February 10, 2009 and the furlough pay differential EID was added via the SCO EH mass update.

- 350V transaction effective 01/30/2009 to delete the furlough pay differential EID
- A02 transaction effective 02/10/2009 and item 607 completed with 6 days (reflects 1 unpaid furlough day) and item 606 completed with 14 days

B. Mid-Month Separations/Leave of Absences (excluding Disability Leaves, Military Leave, Involuntary Leave) (for full-time/part-times employees only)

Special processing is required for an employee who separates or is placed on a leave of absence effective in the middle of a pay period. The furlough pay differential EID must be deleted effective the beginning of the separation or leave of absence pay period. Use the 350 transaction to delete the furlough pay differential EID. Note: Delete the EID even when no regular pay is due for the separation pay period (i.e., item 606 reflects 'NON').

Any unpaid furlough time must be documented on the separation/leave of absence transaction using PAR item 606.

Examples

Monthly paid employee placed on an unpaid leave of absence effective February 5, 2009 and the furlough pay differential EID was added via the SCO EH mass update.

- 350V transaction effective 01/30/2009 to delete the furlough pay differential EID
- S50 transaction effective 02/05/2009 and item 606 completed with 5 days (reflects no unpaid furlough day as the employee has separated prior to the first unpaid furlough day in February 2009)

Semi-monthly paid employee separating effective February 23, 2009.

- 350 transaction effective 02/15/2009 and item 351 completed to delete the furlough pay differential EID
- S01 transaction effective 02/23/2009 and item 606 completed with 5 days (reflects 1 unpaid furlough day)

C. End of Pay Period Separations/Leave of Absences (excluding Disability Leaves, Military Leave, Involuntary Leave) (for full-time/part-times employees only)

The furlough pay differential EID is to remain on the EH record of an employee who separates or is placed on a leave of absence effective the last day of the pay period. For separating employees, any lump sum pay needs to be made at the salary rate not reduced by the furlough pay differential EID. Use PAR item 962, Separation Pay At Alternate Salary Rate, on the separation transaction to identify the salary rate for the lump sum pay.

D. Employees in the Limited Examination and Appointment Program (LEAP) Candidate Classification (Class Code 4687)

The furlough pay differential EID for employees appointed to the LEAP classification must be based on the parenthetical classification in which the duties are performed. The SCO EH mass update process included LEAP employees and the furlough pay differential EID for the R01 designated classes was used (EID: 8FR1). Departments are responsible for correcting the furlough pay differential EID as needed (i.e., process a correction to or void the 01/30/09 effective dated 350 transaction that resulted from the EH mass update process).

E. Retired Annuitants

Only retired annuitants appointed pursuant to Government Code Sections 21118 and 21228 are subject to the furlough program. The SCO EH mass update process did not include retired annuitants. Departments are responsible for adding the appropriate furlough pay differential EID to the EH record of affected retired annuitants via the 350 transaction.

F. Three Established Earnings

There are three fields available on the EH record to enter the furlough pay differential EID. The EID can be entered in any one of the three fields. If all three fields are used, it will be necessary to delete one of the existing EIDs to enter the furlough pay differential EID. The deleted EID will need to be paid on a positive basis via the PIP System until the furlough pay differential EID is no

longer applicable. See PPM Sections G 100 and K for PIP System processing information. For employees included in the SCO EH mass update process, departments will be notified of the EID that was deleted to add the furlough pay differential EID.

G. Disability Leave of Absences

Employees on the various disability leave of absences which includes temporary disability (TD), industrial disability (IDL), non-industrial disability (NDI) or state disability insurance (SDI) are not subject to the furlough program unless working while on disability leave. With the exception of employees on NDI via the EH SPC transaction, the furlough pay differential EID must be deleted when an employee is approved for a disability leave effective the beginning of the pay period in which the employee is placed on the disability leave. Use the 350 transaction to delete the EID. If the disability leave effective date is other than the beginning of a pay period, any unpaid furlough time can be documented on the disability leave transaction using PAR item 606.

Example of an employee placed on industrial disability/off payroll effective February 11, 2009 and the furlough pay differential EID was added via the SCO EH mass update.

- 350V transaction effective 01/30/2009 to delete the furlough pay differential EID
- 565 transaction, injury code 5 effective 02/11/2009 and item 606 completed with 7 days (reflects 1 unpaid furlough day)

H. Military Leave of Absence

Employees on military leave and receiving supplemental pay and benefits pursuant to GC Section 19775.18 are not subject to the furlough program. As a result, all pay beginning with the first 30 calendar days of active duty must be paid without the furlough pay reduction.

The furlough pay differential EID must be deleted effective the beginning of the pay period when the employee starts the active duty via the 350 transaction. If the effective date of the employee's active duty is after the beginning of the pay period, any unpaid furlough time must be documented as a payroll dock transaction. Process the dock transaction prior to the master payroll cut-off date to ensure the employee is paid correctly.

I. Involuntary Leave of Absence

Employees on involuntary leave are not subject to the furlough program. As a result, all pay beginning with date the employee is placed on involuntary leave must be paid without the furlough pay reduction.

The furlough pay differential EID must be deleted effective the beginning of the pay period when the employee is placed on involuntary leave using the 350 transaction. If the effective date of the employee's involuntary leave is after the beginning of the pay period and the employee has elected not to use available leave credits and not to participate in any eligible benefit programs, any unpaid furlough time can be documented on the involuntary leave S57 item 957, Other Eligibility Substantiation, code 19 transaction using the PAR item 606. Otherwise, the unpaid furlough time must be documented as a payroll dock transaction. Process the dock transaction prior to the master payroll cut-off date to ensure the employee is paid correctly.

Note: Departments will need to delete the furlough pay differential EID that was added to the employment history record via the SCO EH mass updates for an employee on involuntary leave and using leave credits.

J. Additional Positions

An employee is only subject to the furlough program for the equivalent of a full-time position. If the employee is employed by more than one department, the departments will need to coordinate with each other to ensure that the furlough program is administrated appropriately per below.

- If an employee has other position(s) in addition to a full-time position, the furlough pay differential EID shall apply to the full-time position only.

Note: The SCO EH mass update processes will establish the furlough pay differential EID on all positions of an employee that are subject to the furlough program. Departments must void the 350 transaction resulting from the mass update process for the less than full-time position(s).

- If an employee has multiple part-time or intermittent time base positions that total more than one full-time equivalent position, the furlough pay reduction shall apply to all positions that total the equivalent of one or more full-time position. If the furlough program pay reduction must occur for more than one full-time equivalent position, an adjustment for the excess furlough pay reduction must be requested. See below for payroll processing information and instructions.

Personnel actions such as time base changes, new additional position, separation from an additional position must be monitored and the appropriate actions taken to ensure employees are only subject to the furlough program for the equivalent of one full-time position.

PAYROLL

For the majority of employees, once the furlough pay differential EID is established on their employment history record, their payrolls should be correctly made by the payroll system. However, special payroll processing will be required due to the nature of the furlough program and are described below.

A. Regular Pay

Employees with an intermittent time base or multiple part-time/intermittent time base positions will require special processing to issue their regular pay (original and adjustments).

Intermittent Time Base Employees

Since the employee's salary rate is reduced by the furlough pay differential EID, the time to be paid that is identified on the Time and Attendance Report, Form 672 needs to be adjusted to reflect the furlough time assigned to the employee. The furlough time (FH) is based on the Form 672 time to be paid per the chart provided in DPA PML 2009-07 and re-printed below.

Intermittent Employees	
Hours Worked	FH Per Pay Period
11 to 30.9	2
31 to 50.9	4
51 to 70.9	6
71 to 90.9	8
91 to 110.9	10
111 to 130.9	12
131 to 150.9	14
151 or more	16

When reporting the time to be paid on the payroll documents (e.g., Form 672 or Form STD. 674), add the furlough time to the actual time to pay for a given pay period.

Additional Position Employees

Employees with more than one position that are subject to the furlough program will require an adjustment via the submission of a Form STD. 674. See PPM Section D 010 for form completion instructions with the following exceptions.

- Remarks Area – enter “Adjustment of pay per furlough over charge”.
- Payment Should Be – complete one line for the time due at the furlough pay reduction rate and the second line for the time due at the non-furlough pay reduction rate.

Example

Employee worked one full pay period less 2 unpaid furlough days in a 3/5 time base position (Position A) and 72 hours in an intermittent time base position (Position B)

Position A: Monthly full-time base salary rate = \$3929

Furlough pay differential EID full-time rate = \$362.65

Regular pay gross @ 3/5 time base for 1 standard month = \$2139.81 (equivalent to 10 hours of furlough time)

Position B: Hourly salary rate = \$16.58

Furlough pay differential EID hourly rate = \$1.53

Regular pay gross for 80 hours @ \$15.05 = \$1204.00 (equivalent to 8 hours of furlough time)

An adjustment for Position B regular pay should be requested to have the furlough pay reduction applicable to only 51 hours (equivalent to 6 hours of furlough time). In the Payment Should Be area on the Form STD. 674, line 1 should be completed with 51 hours @ \$15.05 and line 2 should be completed with 29 hours @ \$16.58.

B. Overtime and Holiday Pay

The salary rate for overtime or holiday pay is not to be affected by the furlough pay reduction. The correct salary rate will be computed by the payroll system when the overtime or holiday pay is requested using the non-FLSA system generated rate EIDs. For the FLSA rate EIDs, be sure to use

the salary rate not reduced by the furlough pay differential EID rate to compute the overtime pay rate otherwise, underpayments will occur.

C. Disability Related Pay for Employees on TD, IDL, NDI or SDI

The disability pay and the disability supplementation pay are not subject to the furlough pay reduction. However, pay for time worked while on disability is subject to the furlough pay reduction. Depending upon the circumstances, the payroll actions for disability related pay will vary as follows.

Retroactive Disability Action/No Regular Pay Received While Disability Status Pending (EH S57 transaction status)

- Update the employee's EH record to delete the furlough pay differential EID effective the beginning of the pay period of the disability action and to place the employee on the appropriate disability leave.
- For IDL, process the IDL pay and IDL supplementation pay requests via the PIP System for the retroactive pay periods as well as the current and future pay periods. Submit Form STD. 674 to request any regular pay for actual time worked during the IDL period. Include the appropriate salary rate (i.e., salary rate reduced by the furlough pay reduction) and corresponding total time to pay on the Form STD. 674.
- For TD/NDI/SDI, submit Form STD. 674/674D to request NDI pay, TD/NDI/SDI supplementation pay and/or any regular pay for actual time worked during the TD/NDI/SDI period. Include the appropriate salary rate and corresponding total time to pay on the Form STD. 674/674D.

Retroactive Disability Action/Regular Pay Received While Disability Status Pending (No EH S57 transaction status)

- Update the employee's EH record to delete the furlough pay differential EID effective the beginning of the pay period of the disability action and to place the employee on the appropriate disability leave.
- For the IDL/TD/NDI/SDI retroactive pay periods, submit Form STD. 674/674D to request the appropriate adjustments. Include the appropriate salary rate and corresponding total time for each adjustment type requested on the Form STD. 674/674D.
- For the IDL current and future pay periods, process the IDL pay and IDL supplementation pay requests via the PIP System. Submit Form STD. 674 to request any regular pay for actual time worked during the IDL period. Include the appropriate salary rate (i.e., salary rate reduced by the furlough pay reduction) and corresponding total time to pay on the Form STD. 674.

- For TD/NDI/SDI current and future pay periods, submit Form STD. 674/674D to request NDI pay, TD/NDI/SDI supplementation pay and/or any regular pay for actual time worked during the TD/NDI/SDI period. Include the appropriate salary rate and corresponding total time to pay on the Form STD. 674/674D.

The IDL/S and Enhanced NDI calculators cannot be used for employees subject to the furlough program. See PPM Section E 110 or E 458 for the manual NDI or IDL calculation instructions, respectively.

D. Retirement

Both the employee and state share retirement contribution amounts are based on the furlough program reduced pay rate. However, for purposes of the retirement final compensation pay rate, the unreduced rate is to be used. The SCO will report the appropriate salary rates to CalPERS and CalSTRS for employees subject to the furlough program.

E. Salary Advances

A salary advance for regular pay (excluding disability supplementation pay) must be based on the furlough program reduced base salary rate. All other payment types can be based on the unreduced base salary rate.

F. Earnings Statement/Direct Deposit Advice

The earnings statement will not reflect the furlough reduction amount. Instead, the statement/advice will show a regular pay gross amount that has been reduced by the furlough reduction amount. The gross amount can be in dollars and cents when previously the employee had an amount reflected in whole dollars. See above EH section for an explanation.

G. Miscellaneous Deductions

Employee miscellaneous deductions such as garnishments (non-percentage types), deferred compensation, credit union, may not be withheld under the furlough program due to insufficient net (see PPM Section H 008). Employees should review their deductions and make the necessary changes and/or arrangements with the organizations receiving their deduction monies.

H. Payroll Reconciliation

All payroll records and outputs including the Payroll Warrant Register will reflect the unpaid furlough time as time paid. To reconcile the Form 672 and the warrant register, the unpaid furlough time should be added to the total time worked information on the Form 672.